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SOURCE Gep, No 3, 1949.REDUCTION OF PRODUCTION COS. IN HUNGARIAN HEAVY INDUSTRY

The industrial undertakings under the Central Directorate of Heavy Industry operated with a deficit of 40-50 million forints per month when they were taken over by the state. The planning work resulted in rapid improvement; production increased and the financial position of these undertakings also improved by mid-1947, reducing the deficit by half. The situation deteriorated again later, and as a result of sabotage of right-wing Social Democrats in the plants the deficit increased again to 40 million forints per month at the end of 1947.

In a speech delivered by Rakosi in October 1947, 1 May 1948 was set as a limit for operation of Hungarian heavy industry to break even, and a plan was worked out to achieve this aim. The heavy industries were indeed working without a deficit at the date fixed, and monthly production increased from 130 to 160 million forints on 1 May 1948. From that date on, Hungarian heavy industry did not get any more financial support from the state, and in the subsequent 5 months heavy industrial enterprises paid 4 million forints per month to the Hungarian Treasury from profits.

The completion of the Three-Year Plan in 2 years and 5 months confronts Hungarian heavy industry with a difficult task. Mechanization of Hungarian agriculture, the building up of the armed services, and the development of the consumers' goods industry make it necessary to develop heavy industry. Socialist industry must also prove its superiority over capitalist industries in being able to produce at competitive prices. It is, therefore, necessary to mobilize existing production reserves to enable the contribution of the 387 million forints which nationalized heavy industry is required to contribute from profits in 1949 to the Hungarian Treasury.

It was imperative to allot the amount to be paid to the Treasury justly among the various heavy industry enterprises. The allotment was made as follows: production figures for three months of 1949 were used as a basis to calculate theoretical profits. In addition, other factors were taken into consideration; the anticipated increase in production as a result of capital

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investments, competitions, reduction of overhead costs, etc. Groups of financial, administrative, and technical experts were sent into the plants to work out recommendations with the cooperation of the managements. This helped reduce red tape to a minimum. The results were compiled into a plan for all heavy industry.

It was subsequently found that the recommendations were reasonable. Several plants undertook to pay even larger contributions to the Treasury. Only one or two of the enterprises claimed that it was necessary to reduce their contributions. As a result of this survey, it is intended to increase the payment to the Treasury from accrued profits from the 387 million forints proposed originally to 428 million forints. This sum will be composed of the following payments (in million forints): Industrial Center for Heavy Machinery 175, Center of the Iron and Steel Industry [it is not stated whether the mining industry is included] 103, Matyas Rakosi Works 115, and Center of the Engineering Industry 35.

Of the total, 60 million forints are to be paid in the first quarter, 100 million in the second, 125 million in the third, and 143 million in the fourth quarter of this year.

To reduce production costs, Hungarian industrial leaders propose to extend cooperation with other countries, to make better use of available patents, and to carry out the capital investments as planned.

Cooperation With Foreign Countries

Cooperation agreements are being concluded with the neighboring states. These agreements define what items should be produced by Hungary, Czechoslovakia, or Poland. They are to gear the production of each of the participating countries to certain groups of products, thus making it possible to produce these products in larger quantities and more economically. Cooperation is particularly good with Poland, and a permanent mixed committee is being formed which will meet at certain times to discuss current cooperation agenda.

Agreements are being negotiated with other states to obtain equipment and expert advice for Hungarian industry. For example, an agreement with Sweden provides for the shipment of mechanized equipment to the Matyas Rakosi foundries and also for assistance in introducing appropriate foundry techniques.

Contact is also being made with foreign scientific and technical bodies for information on current foreign developments, and licenses are being sought to permit the use of processes which may be of interest to Hungarian industry. An example of such an agreement is that made with the Bureau d'Etude et de Recherches pour l'Industrie Moderne on a very wide basis.

A permanent committee is being formed to study the practical utilization of patents, and satisfactory progress is expected in the utilization of German and Soviet patents. [It is not clear whether the author means Soviet Zone or West German patents.]

The formation of a research institute for the heavy industry is planned. The work program of this institute has already been worked out and includes research on pig-iron production (blast-furnace process), steel production, foundry problems, heat treatment, welding, cold working, material analysis, and associated problems. Work on this program has already started in the laboratories of the Technical University, and it is expected that the research institute will work in its own buildings in 3 to 4 months. Most of the research work is carried out in the various plants.

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Efforts are being made to reorganize production. Each plant should, wherever possible, specialize in certain products, and choice of the products should be left to the factory which is most suited to the purpose from the view point of equipment and skilled personnel. A very important factor is the serious shortage of expert personnel. Concentration of production in a small number of plants will enable better utilization of the existing machinery and manpower, will make control of production and renewal of obsolete equipment easier, and should result in cheaper production and a speed-up of deliveries.

Capital investments are expected to bring about reduction of production costs, the most important of which are the following:

In Ozd a Greenwald ore-grading and ore-agglomeration plant is being built, and it is anticipated that coke consumption in the blast furnaces will be reduced as a result of using graded ores and of agglomeration of pulverized ores. It is estimated that 9 million forints per year will be saved when this plant starts operation. The building of a new railway line for transporting ore is nearing completion. The new line and the extension of the Sajo-Varkony railway and railway stations will bring about a further saving of $1\frac{1}{2}$ - 2 million forints per year by reducing the idle time of railway cars.

Two limekilns now being built in Ozd are expected to result in the following savings: the use of burnt lime for steel production will reduce the production costs of steel by 1.4 forints per ton, or 300,000 forints per year. The lime furnace will be heated with blast-furnace gas, thus saving 7,250 tons of coal per year, valued at 450,000 forints. The most important saving, an estimated 3 million forints per year, will result from burning the lime on the spot.

The ingot mold-handling stand and the tar-plant capacity will also be increased in Ozd. This will increase the mold life and eliminate the necessity of using imported graphite and other mold paints. Also, the surface quality of the ingot will be better, and this will result in the reduction of rejects. The anticipated saving is about 500,000 forints per year.

An ore-grading and agglomeration plant is also being built in Diosgyor. The saving which can be obtained as a result of better utilization of the ore, coke, and blast-furnace gas is estimated at 9 million forints per year. Equipment for splitting scrapped rails is being installed. The rails will be split into three parts which will be used for the production of spades and hoes. Over 50 percent of the agricultural implements will be produced from scrap after this plant is in operation, and the anticipated saving is about 1.5 million forints.

To increase the production of steel wire, modern equipment is being installed at Salgotarjan. This will permit supplying the needs of the textile industry which, up to now, had to rely on imports. Part of the wire produced may also be exported. The anticipated saving is about 2 million forints per year.

The utilization of the exhaust steam of steam-operated drop hammers for heating in the MAVAG (Steel and Machine Works of the Hungarian States Railroads) is also of great importance and is expected to save about 100,000 forints per year.

It is emphasized that the lowering of production costs will be possible only if the workers realize its importance. It is imperative to develop the brigade movement this year and to see that useful suggestions by workers are applied in production. There is, however, no doubt that heavy industry will be able to contribute 428 million forints to the Treasury if the employees make a concentrated effort.

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